

Message Text

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PAGE 01 KINSHA 07418 131447Z

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C O N F I D E N T I A L KINSHASA 7418

LIMDIS

FOR AF/C

E.O. 11652: GDS

TAGS: PFOR, ECON, EFIN, CG FR

SUBJECT: GOZ-FRENCH ACCORDS

REF: KINSHASA 7374

1. I SAW BISENGIMANA AUGUST 12 AND HE GAVE ME FOLLOWING
DETAILS ON DEBT RE-SCHEDULING AGREED BY THE FRENCH JUST
PRIOR TO GISCARD VISIT:

A) ON MEDIUM TERM (OVER 18 MONTHS) COMMERCIAL DEBT,
GUARANTEED BY COFFACE, COVERING (1) PERIOD PRIOR TO
JANUARY 1975 AND UNPAID, GOZ WILL PAY 15 PERCENT BY 15 JULY
1976 AND 85 PERCENT BY 15 JULY 1977; FOR PERIODS (2) THROUGH
FIRST HALF 1975 AND NOT PAID AND (3) THROUGH SECOND HALF 1975
AND TO BE PAID--15 PERCENT OF DEBT PAYMENTS WILL BE PUT OFF FOR ONE
YEAR FROM DATE DUE ON EACH PAYMENT AND 85 PERCENT WILL BE PUT OFF
FOR TWO YEARS. THE 15 PERCENT PAYMENTS REFERRED TO 1 (A) ABOVE WILL
INCREASE TO 30 PERCENT IF THE COPPER PRICE RISES AND HOLDS FOR
ONE MONTH DURING 1976 OR 1977 TO 60,000 BELGIAN FRANCS PER
METRIC TON. THE GOZ WILL ALSO PAY 8 PERCENT INTEREST PER ANNUM TO
THE BANK OF FRANCE FOR THE DEFERRALS PAYABLE 30 JUNE AND
31 NOVEMBER.

B) ON SHORT TERM (LESS THAN 18 MONTHS) COMMERCIAL
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PAGE 02 KINSHA 07418 131447Z

DEBT, WHETHER GUARANTEED BY COFFACE OR NOT, PAST DUE

THROUGH 31 JULY 1975, GOZ WILL PAY 15 PERCENT BY 31 DECEMBER 1975; 15 PERCENT BY 31 MARCH 1976 AND 70 PERCENT BY 30 JUNE 1976. GOZ WILL PAY EIGHT PERCENT ON ABOVE. BISENGIMANA SAID FRENCH WERE VERY RELUCTANT ON THIS ACCORD BUT "POLITICAL DECISION" WAS MADE.

C) GOZ DEBT OWED TO BANK OF FRANCE (90 MILLION FF LINE OF CREDIT) IS PUT OFF ONE YEAR.

2. I THEN ASKED BISENGIMANA ABOUT THE LONG-TERM SALE OF COPPER REFERRED TO IN THE GISCARD-MOBUTU COMMUNIQUE AND IN OTHER PRESS REPORTS--ONE OF WHICH SAID THAT FRANCE WOULD INCREASE ITS PURCHASES TO COVER HALF OF ZAIRE'S OUTPUT. BISENGIMANA REPLIED THAT INDEED A LONG TERM CONTRACT WAS TO BE NEGOTIATED. IT WOULD NOT BE FOR HALF OF ZAIRE'S PRODUCTION--MORE IN THE NEIGHBORHOOD OF 150-200,000 TONS. HE SAID PRICING LEVEL AND MECHANISM HAD NOT BEEN DECIDED AND IN REPLY TO ANOTHER QUESTION SAID THAT THE FRENCH WOULD NOT RPT NOT BE ADVANCING MONEY PRIOR TO DELIVERY. THE ADVANTAGE OF THE DEAL, BISENGIMANA THOUGHT, WOULD BE THAT THE BANKERS WOULD KNOW THAT A SUBSTANTIAL PART OF ZAIRE'S COPPER WOULD BE SOLD UNDER ADVANTAGEOUS CONDITIONS, ASSURING STABILITY OF REVENUE.

3. BISENGIMAN CONFIRMED THAT THE FRENCH INSISTED THE GOZ STAY CURRENT WITH PAYMENTS DUE ON MIRAGES.

4. COMMENT: TO US, MOST SIGNIFICANT POINT OF FRENCH RE-SCHEDULING IS THAT IT IS SHORT TERM AND IS AT A RELATIVELY HIGH INTEREST RATE. AT LEAST 15 PERCENT OF THE OVERDUE AND DEFERRED DEBT AND ALL OF THE LINE OF CREDIT OWED TO THE CENTRAL BANK MUST BE PAID WITHIN ONE YEAR. THE REMAINDER WILL BE DUE WITHIN TWO YEARS. PROVIDED THE PRICE OF COPPER DOES NOT RISE TO 60,000 BELGIAN FRANCS, REPAYMENTS ON MEDIUM-TERM DEBT GUARANTEED BY COFFACE WILL NOT BE SIGNIFICANT FOR ONE YEAR. HOWEVER, SOME REPAYMENTS ON THIS DEBT, THAT WHICH IS OVERDUE MORE THAN A YEAR, WILL BEGIN IMMEDIATELY. AT THE END OF A YEAR, INTEREST AND DEBT REPAYMENTS ON GUARANTEED MEDIUM TERM DEBT WILL BE SUBSTANTIAL. THE REPAYMENT TERMS FOR THE PAYMENT OF THE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINSHA 07418 131447Z

SHORT-TERM COMMERCIAL DEBT APPEAR TO BE PARTICULARLY STRICT: 15 PERCENT BY DECEMBER 31, 1975, 15 PERCENT BY MARCH 15, 1975, AND 70 PERCENT BY JUNE 30, 1976 PLUS 8 PERCENT INTEREST. SHORT TERM RE-SCHEDULING OF THIS TYPE HELPS TO ALLEVIATE THE IMMEDIATE PROBLEM, BUT IT MERELY CREATES PROBLEMS FOR THE FUTURE IF THERE IS NOT A SUBSTANTIAL RISE IN THE PRICE OF COPPER, WHICH WE CONSIDER UNLIKELY WITHIN THE SHORT TERM OF THE

FRENCH DEBT RE-SCHEDULING. IT IS ALSO EVIDENT THAT THE
FRENCH HAVE FOUND A WAY TO PIN THE ZAIRIANS DOWN TO A
SPECIFIC DEBT PAYMENT REVIEW SCHEDULE--SOMETHING NO ONE
ELSE HAS YET BEEN ABLE TO ACCOMPLISH. IN SUM, IT APPEARS
TO US THAT THE FRENCH HAVE DONE VERY WELL FOR THEMSELVES.
WALKER

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